

My client has received the assessment and has questions about the calculations. Who should I call?

Agents should call AIK Comp at 502-499-6290. To streamline the process, member businesses should work directly with their agents and the agents should contact AIK Comp with questions.

What percentage of the assessment is going toward commissions or fees?

The assessment addresses the deficit of the fund for the period Jan. 1, 1999, to Dec. 31, 2003. The only additional costs are for the Kentucky Special Funds Assessment, required by statute. Associated Industries of Kentucky and Brentwood Services, the third-party administrator, have both agreed to waive their commissions on the assessment. In addition, no agent commissions will be paid.

What will the Rehabilitator do if a business refuses to pay?

A letter will be sent to be certain the assessment was not overlooked. If the business still does not pay the assessment, the account will be turned over to a law firm that is handling collections on behalf of AIK Comp. The rehabilitator will be aggressive in collecting the assessment from all parties.

Why hasn't AIK Comp been put into liquidation?

In order to protect the injured workers who rely on this fund, and because group self-insureds like AIK Comp play an important role in Kentucky's workers' compensation insurance market, the idea of a liquidation is not being considered. A successful rehabilitation is the only acceptable outcome. Members should keep in mind that a liquidation would be more expensive than a rehabilitation and would not relieve them of the joint and several liability agreement.

Couldn't the Self-Insured Guaranty Fund pay the claims?

The Self-Insured Guaranty Fund would come into play only as a last resort. If this became necessary, all members in participating funds could be assessed. However, this would be done only after all other fund sources had been exhausted.

Does the assessment plan build reserves?

No, the assessment plan only addresses the deficit.

Who had oversight of the funds and why weren't the problems caught earlier?

Under the previous administration, the Office of Workers' Claims had regulatory oversight of group self-insured workers' comp funds. It appears that mismanagement of the fund and lack of appropriate oversight allowed the problem to continue after it should have been addressed.

What is being done to ensure that this doesn't happen again to another fund?

Governor Ernie Fletcher has moved the oversight of these funds to the Office of Insurance. KOI has the staff and resources in place to provide proper oversight of these funds.

How long can AIK Comp stay in operation?

Without the assessment, it is estimated that AIK Comp will run out of money in May 2005. With the assessment, the Rehabilitator has every confidence that the company will continue to serve Kentucky businesses for years to come.

How did you arrive at the conclusion that AIK Comp members paid less, even with the assessment, than they would have in the standard market?

The rehabilitation team initially did a small sampling of members and looked at what each would have paid if they had obtained coverage in the standard market. AIK Comp rates were compared to the rates of five entities. All but one member in that sampling would have paid more in the standard market than they did at AIK Comp, even when adding the assessment to the premium. In order to determine if the sampling was statistically accurate for the larger group, an outside actuarial firm looked at the same data for all members. That study showed that at least 70 percent of the AIK Comp members had paid less, even with the assessment.

How many members are in the AIK Comp fund now as compared to early 2004?

At the time the fund entered into rehabilitation, AIK Comp had approximately 2,300 members. As of Oct. 11, AIK Comp had 1,538 active policies.

How can you ensure that AIK Comp will be a viable company in the future?

A number of vital internal changes have been made since August. The rehabilitation team has examined all aspects of the operation. Expenses have been evaluated and reduced. New, more stringent underwriting guidelines have been put into place. Effective Oct. 1, rates were increased. Agent commissions have been lowered from 12 percent to 8 percent. Claims management, loss control and premium audit practices have been improved. A combination of the assessment and changes in practices will make AIK Comp a more efficient and viable business entity going forward.

If wrongdoing is discovered, the rehabilitator has said AIK Comp will take aggressive action against that entity or individual, including the collection of monetary damages. Why wasn't this done prior to the assessment?

The central focus of the rehabilitation is to protect injured Kentucky workers. AIK Comp members entered into a joint and several liability agreement to cover any plan deficit. After determining the true nature of the deficit, the rehabilitator moved forward with the assessment. A full investigation of the facts and any subsequent litigation could be a lengthy process and an immediate influx of money is necessary to meet day-to-day operational needs.

What will happen to any money recovered from such litigation?

Money received from any litigation efforts will be returned to the AIK Comp members to offset the assessment.

A couple of lawsuits are pending against AIK Comp. How will this affect the rehabilitation?

The rehabilitation is continuing and members should pay the assessment on or before Dec. 5. The rehabilitation continues under the supervision of Franklin Circuit Court.